

SOUTH VIETNAM

- I. Premier Diem's plan to "deal with" Sects facing setback.
 - A. Plan has been to buy off subordinate commanders until military strength of remainder can be dealt with by National Army.
 - B. But those bought don't always stay bought and army not in shape to play its part. *to no longer suit*
- II. As example, latest Sect move (20 Mar "ultimatum") has been jointed by Cao Dai Generals Phoung and The, who Diem believed to be safely on his side.
 - A. Gen. Phoung had been paid bribe of over \$100,000, which kept him "loyal" on occasion of Sects' previous anti-Diem manifesto (last week).

B. Gen. The, who had rallied to govern-

ment with much fanfare, has also been well-paid (has received about half of premier's confidential funds).

C. Meanwhile, the Binh Xuyen's holdings are sufficiently lucrative as not only to put these gangsters beyond bribery, but to permit them to do their own bribing.

1. Their price-tag for relinquishing Saigon police is over \$1 million.

2. They got Cao Dai "Pope" to sign earlier manifesto by gift of 1955 Oldsmobile.

III. Army forces greatly outnumber Sects but are dispersed; also, defense minister has no stomach for showdown.

A. Diem states army morale is low, largely as result of arbitrary dismissals by defense minister.

B. Latter reportedly worried that Diem

will take tough line and force open
fight with Sects.

IV. Sect's "ultimatum" of 20 March gave Diem
five days to reorganize government in un-
defined manner.

A. After that, Sect leaders would "appeal
to the people."

B. Prospect is that Sects will seek
maximum squeeze rather than attempt
coup.

V. Serious problem is that Sects' harassing
tactics distract government from more
important matters.

A. Priority task is unified front against
Communism; Sect self-seeking cripples
efforts along this line.

B. Disunity in South puts Diem in weak
position in forthcoming discussions with
Viet Minh on national elections.

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C. Viet Minh media already pointing to
Sect activity as evidence of chaos:
example--radio (15 Mar) said "civil
war raging in South Vietnam."

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